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INCOME PROTECTION (IP) BARLEY PILOT PROGRAM



Barley Crop Insurance PILOT Program Enhancements

USDA's Risk Management Agency (RMA) and the National Barley Growers Association have continued working together toward improving the Barley Income Protection pilot program.

Barley Income Protection (IP) Summary

Barley IP is a PILOT plan of revenue insurance that protects against a loss of revenue due to low yields, low prices or a combination of both factors.

IP may offer a less costly risk management alternative to other revenue products and is the only one which offers a

CAT level of coverage. Barley IP is available up-to the 85% coverage level. Barley IP offers a feed barley guarantee and a malting barley quality option. The feed barley guarantee is calculated using the grower's APH yield multiplied by the level election multiplied by the market based barley price. The malting barley quality option (if selected) is calculated using the grower's APH yield multiplied by the level election multiplied by the malting barley price (additional value price). The Multi-Peril Crop Insurance (MPCI) provides the foundation of IP (same yield settings and loss adjustment).

Pacific Northwest (PNW) Availability

IP Barley Pilot option program is available in:

Idaho State: All counties (except Shoshone) where barley is currently insured;

Oregon State: Baker, Benton, Clackamas, Columbia, Crook,

Deschutes, Douglas, Gilliam, Grant, Harney, Jackson, Jefferson, Josephine, Klamath, Lake, Lane, Linn, Malheur, Marion, Morrow, Multnomah, Polk, Sherman, Umatilla, Union, Wallowa, Wasco, Washington, Wheeler and Yamhill counties;

Washington State: All counties (except Jefferson County) where Barley MPCI is currently available.

IP FEED BARLEY Prices

Although no barley futures contract exists, research shows the Chicago Board of Trade futures price for corn has been highly correlated with feed barley prices. **The Feed Barley Price** for the pilot program will be calculated using 85% of the average corn futures price.

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IP MALTING BARLEY

Prices

Malting barley will be eligible for one of two options. Those who sell malting barley on the open market may insure their malt based on the stated malting barley premium. Those who contract their malt, may insure their malt based on malting barley premium specified in their contract.

IP Barley Premium Calculation Example

Assume: 100% Share; IP Approved APH 70 BU/A (10 Yr Avg); Coverage Level 75%; County 10 Yr Avg Yield of 63; Projected Price \$1.92; Option A (open market) selection; 200 acres.\$1.25 Add'l Value Price.

- a. Option A Amount of Protection:
APH 70 X \$1.92 Projected Price X 200 Acres = \$26880 X 75% coverage = \$20160
- b. Base Premium Rate (using a 63 bu County Avg Yld) = .057
- c. Base Premium \$20160 X .057 = \$1149
- d. Option A (Malting Barley) 70 APH X 75% X \$1.25 Option A Add'l Value Price X 200 acres = \$13125
- e. \$13125 X .057 X 1.10 = \$823
- f. \$1149 + \$823 = **\$1972**

SUBSIDY:

- g. \$20160 + 13125 = \$33285
- h. \$33285 X 50% = \$16643
- i. \$16643 X .014 = \$233
- k. Subsidy: 233 X 75% = **\$175**
- I. ESTIMATED PRODUCER PREMIUM**
\$1972 - 175 = \$1797

Loss Indemnity

The Income Protection dollar guarantee is payable when the harvested and appraised production to count, multiplied by the harvest price, is below the dollar guarantee. Indemnity payments are paid when the harvested and appraised production and harvest price are determined. A yield loss may be offset by a price increase, or a price decrease may be offset by a yield increase. A farm's crop expected revenue is the determining factor.

IP FEED BARLEY Loss Example

Assume: 100% share, Approved APH: 70 BU/A; Coverage Level of 75%
Projected Price higher than harvest Price

Dollar Guarantee:
70 Bushel/Acre X
75% Coverage Level X
1 Acre X
\$1.92 Projected Price =
\$100.80/Acre Guarantee

Value of Production (Harvest):
30 Bushel/Acre X
1 Acre X
\$1.85 Harvest Price =
\$55.50/Acre Income

Loss Payment (Indemnity):
100% Share =
\$45.30/Acre Indemnity

Assume: 100% share, Approved APH: 70 BU/A; Coverage Level of 75%
Harvest Price is higher than Projected Price

Dollar Guarantee:
70 Bushel/Acre X
75% Coverage Level X
1 Acre X
\$1.92 Projected Price =
\$100.80/Acre Guarantee

Value of Production (Harvest):

30 Bushel/Acre X
1 Acre X
\$2.50 Harvest Price =
\$75.00/Acre Income

Loss Payment (Indemnity):
100% Share =
\$25.80/Acre Indemnity

Additional Factors

- IP coverage at the catastrophic risk protection level is available.
- MPCl acreage and production reporting dates apply to IP.
- Replant payment is not available.
- Prevented planting benefits

Advantages of Risk Management Tools

Risk management tools protect crop investment, borrowed capital and current savings by stabilizing income. This transfers risk and provides an **ADDED PEACE OF MIND.**

Detailed Information

This summary is for general illustration purposes only.

- Producers should consult their crop insurance agent to obtain specific information. All IP policies, including CAT coverage insurance policies are available from private insurance agents. A list of crop insurance agents is available at all USDA Service Centers offices throughout the U.S.
- Program Development questions may also be addressed to Dave P. Paul, Director, USDA/Risk Management Agency/Spokane Regional Office.